

FRS Retirement Options Workshop

For New Employees



YOUR Money
• • • YOUR Choice



Welcome to the FRS!

A Choice Between Two FRS Retirement Plans





What We Will Talk About Today

- Understand your Retirement Plan Choices
 - FRS Investment Plan
 - FRS Pension Plan
- Compare the Retirement Plans
 - Understand considerations in your decision process
- Use your Resources
 - You are not in this alone
- Make your Choice
 - When and how to enroll
- Life after Choice
 - Planning for your financial future



Employee Choice Resources



**Toll-free MyFRS
Financial
Guidance Line**



**MyFRS.com
Web Site**



**FRS New Employee
Enrollment Kit**



**Financial Planning
Workshops**

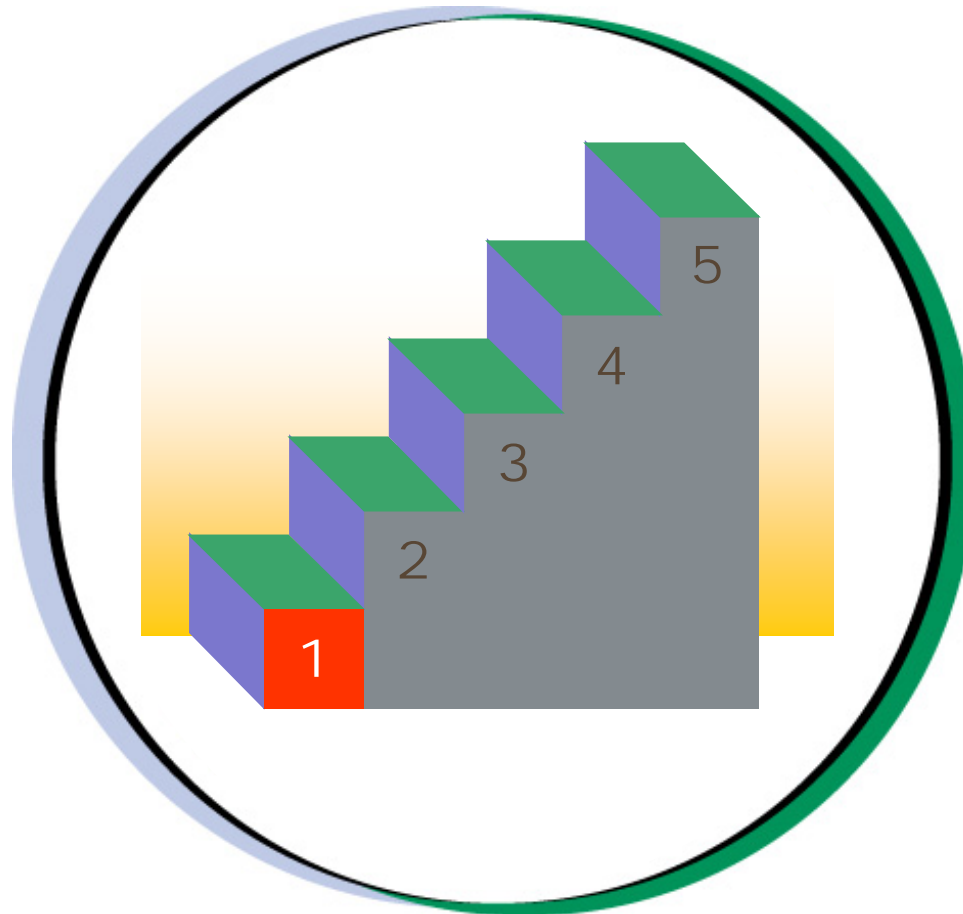


New Hire Video





Understanding the Plans





The FRS Investment Plan

- More recent retirement plan design
- Benefit not fixed; based on employer contributions and investment returns
- Funded by employer contributions
- You choose how to distribute contributions among the investment funds in the plan
- Guaranteed benefit for life available
- Vested after 1 year
- Fully portable within the 900 FRS employers as well as employers outside the FRS umbrella





How Does Your FRS Investment Plan Grow?

Account Balance

PLUS

Employer Contributions

PLUS

Income and Investment Gains (Losses)

MINUS

Expenses





The Investment Plan Employer Contribution Calculation

Step 1:

Monthly Compensation

x

Step 2:

% Based on Membership Class

=

Step 3:

Monthly Employer Contribution





Let's Calculate Theresa's Investment Plan Employer Contribution

Step 1: **\$2,916 Monthly Gross Compensation**

X

Step 2: **9% for Regular Membership Class**

=

Step 3: **\$262 Monthly Employer Contribution**





How Theresa's FRS Investment Plan Account Might Grow in the Future...

January 2011

Beginning Balance **\$ 30,821**

Employer Contributions **\$ 262**

Investment Results **\$ 168**

Account Expense **(\$5)**

Ending Balance **\$ 31,246**

February 2011

Beginning Balance **\$ 31,246**

Employer Contributions **\$ 262**

Investment Results **(\$11)**

Account Expense **(\$5)**

Ending Balance **\$ 31,492**





What Are Your Investment Choices?

Annual Fees for a \$10,000 Account

Investment Fund Categories	Number of FRS IP Funds	Range of FRS IP Fund Fees*
Balanced Funds	3	\$6 – \$10
Money Market Fund	1	\$6
Treasury Inflation Protected Securities Fund	1	\$2
Fixed Income Funds	4	\$5 – \$59
U.S. Stocks Funds	9 *	\$2 – \$89
Foreign Stocks Funds	3	\$2 – \$50

* *Fidelity Low-Priced Stock Fund closed to new investors.*

Fees as of 10/01/08



MyFRS Financial Guidance Line: 1-866-446-9377
MyFRS.com



FRS Investment Plan Benefit Payment Options

You may receive payment of your vested benefit in the following forms of distribution:

- Lump-sum distribution
- Distributions on demand or by any schedule
- Guaranteed annuity payments for life, including survivor options and 3% annual benefit increase
- Any combination of the above distribution options
- Rollover to an IRA or another tax-deferred plan





The FRS Pension Plan

- Traditional pension approach
 - Rewards long-service employees or some who begin FRS career later in life
- Benefit accumulates at a faster rate the longer you stay
- Fixed benefit at retirement based on formula
- Guaranteed check for life
- Funded by employer contributions
- FSBA has the investment responsibility
- Vested after six years
- Portable within the 900 FRS Employers





FRS Pension Plan Benefit Formula

Step 1: **Years of Creditable Service** x **Percentage Value**

Step 2: **Average Final Compensation**

Step 3: **Step 1** x **Step 2** = **First Year Option 1 Retirement Benefit @ Normal Retirement**

Step 4: **Benefit Increases 3% Each July Under Current Law**





Let's Calculate Theresa's Benefit Under the FRS Pension Plan

Step 1: **13 Years of Creditable Service** **x** **1.60% Percentage Value** **=** **.208**

Step 2: **\$51,888 (AFC)**

Step 3: **.208** **x** **\$51,888** **=** **\$10,793 First Year Option 1 Retirement Benefit @ Normal Retirement**

Step 4: **Benefit Increases 3% Each July Under Current Law**





FRS Pension Plan Benefit Payment Options

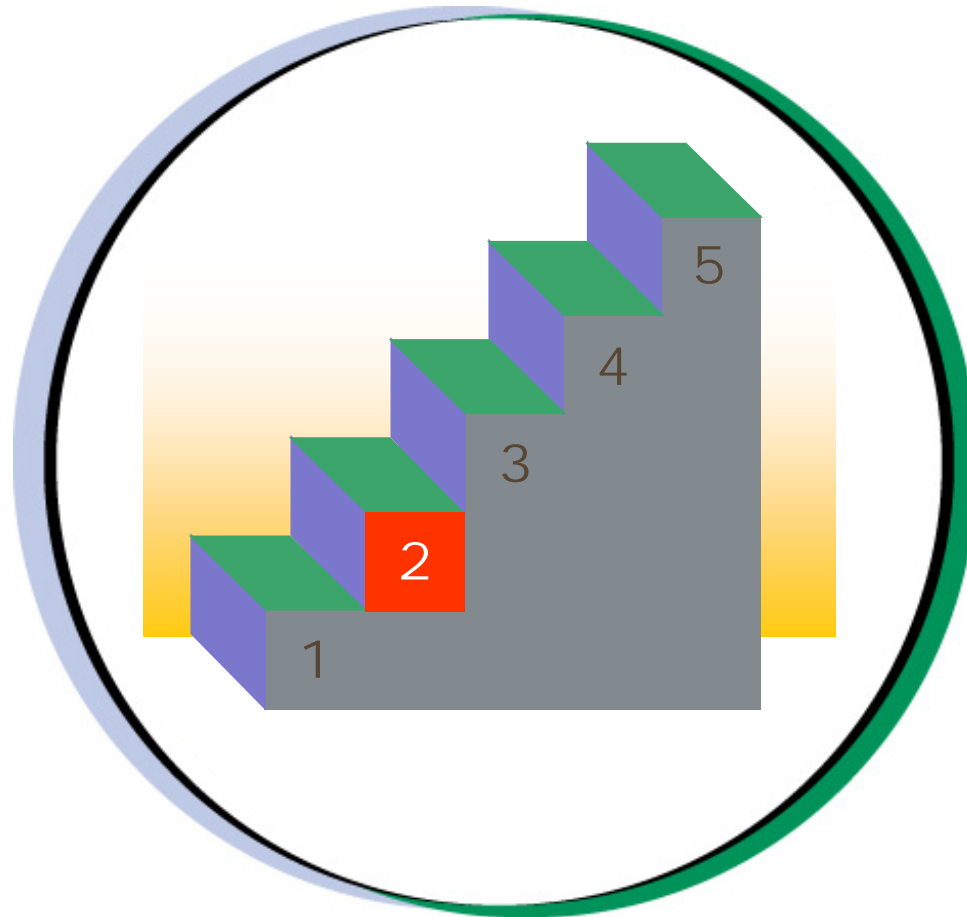
All options are lifetime monthly payments:

- Option 1:** Single life annuity
- Option 2:** Reduced lifetime annuity to retiree with 10-year payout guarantee
- Option 3:** Reduced joint and survivor annuity
- Option 4:** Reduced annuity with 2/3rd survivor annuity





Comparing the Plans





Side by Side Comparison

1 The **FRS Pension Plan** is a traditional retirement plan designed for longer-service employees. It pays you a guaranteed monthly benefit based on service and salary when you retire. You qualify for a benefit after 6 years of service.

2 Your employer makes monthly contributions into a single pension trust fund for all Pension Plan members.

1 The **FRS Investment Plan** was designed for a more mobile workforce. Your benefit is based on how much money is contributed to your account and how well that money grows over time when invested. You qualify for a benefit after 1 year of service.

2 Your employer makes monthly contributions into an individual Investment Plan account you control even if you take another job.





Side by Side Comparison

Pension Plan cont...

3 The Florida State Board of Administration is responsible for investing all monies in the Pension Plan Trust Fund. Pension Plan benefits are paid from the trust fund.

4 When you do retire, your benefit will be paid to you in monthly checks for your lifetime. You may decide to join DROP.

Investment Plan cont...

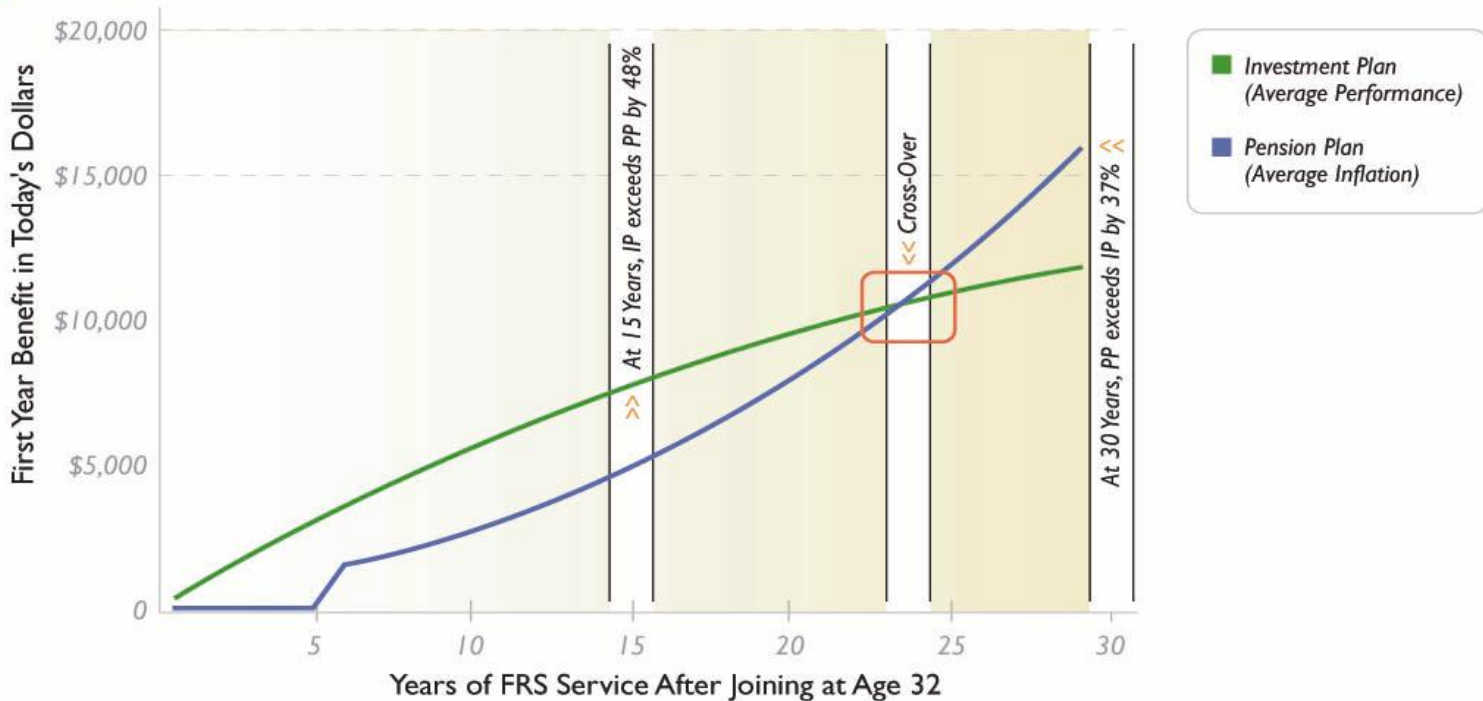
3 You decide how much risk to take by allocating your account balance among professionally managed investment funds. You can be as conservative or aggressive as you want.

4 You can take your benefit in a single payment, in multiple payments over time, in guaranteed monthly payments for life, or any combination.



Side by Side Comparison

Projected Investment and Pension Plan Benefit



Source: Financial Engines



What Important Factors Will Affect the Value of Your Plan?

How Long You Plan to Work for an FRS Employer

Salary Growth Rate

Age Benefit Starts

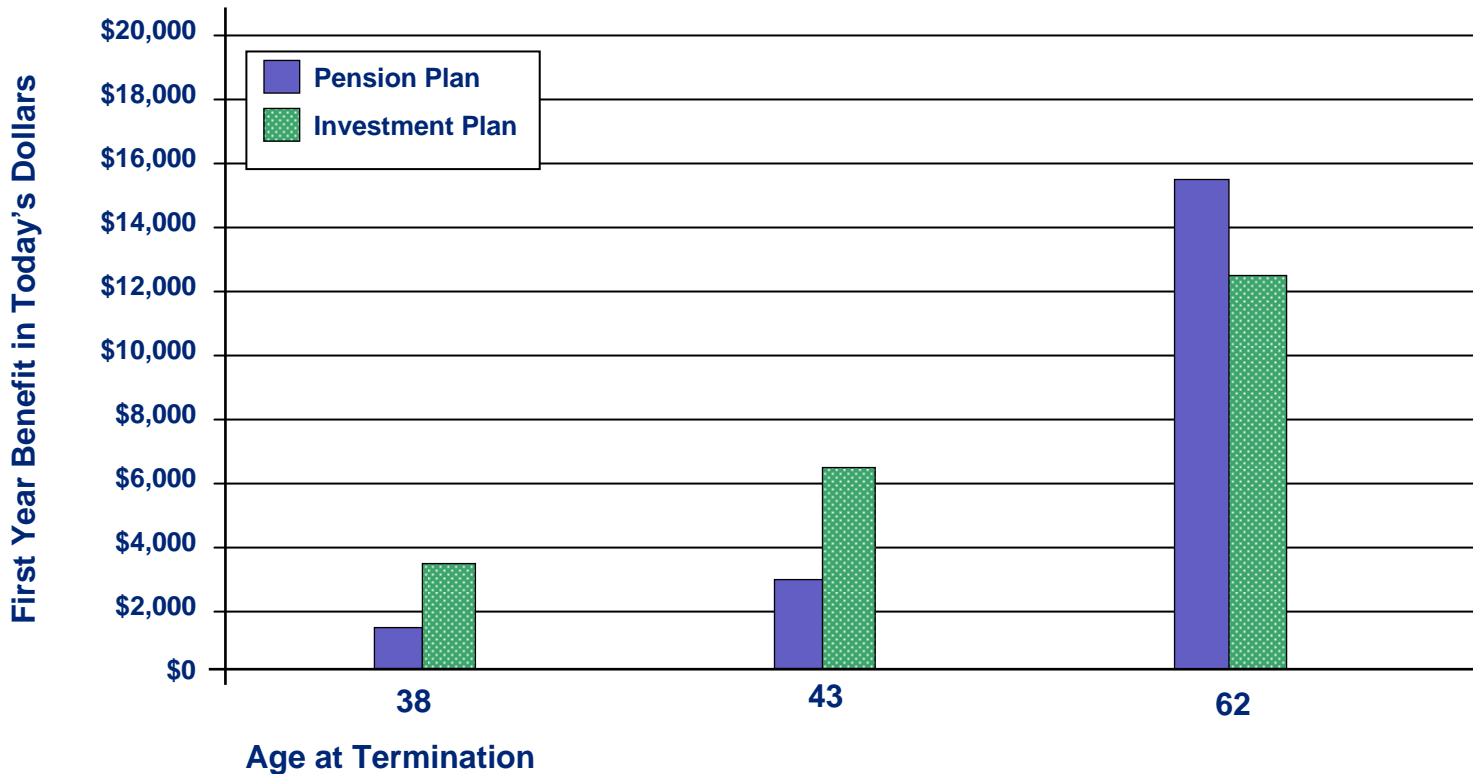
How Much Investment Risk You Take





How Long You Plan to Work for an FRS Employer

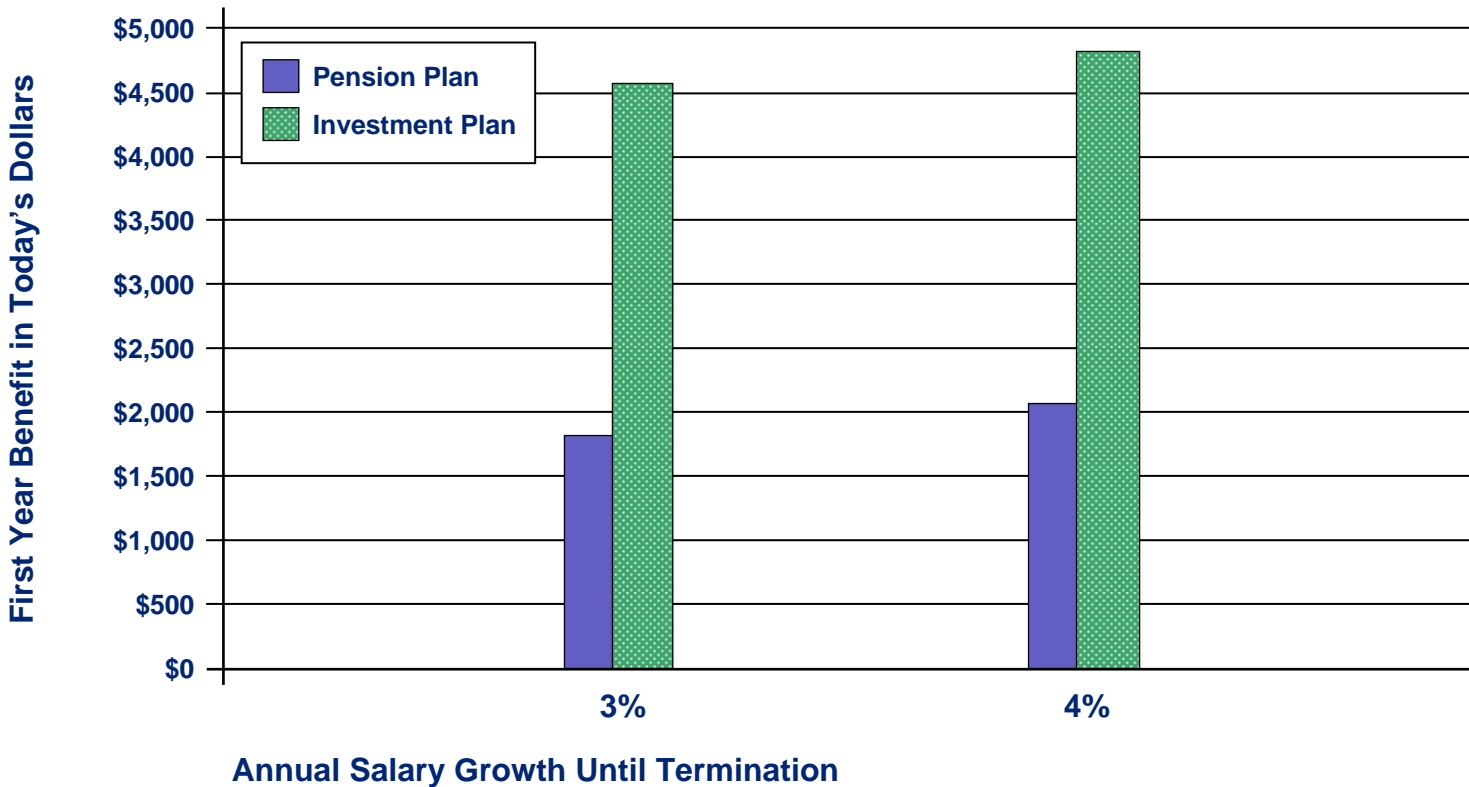
Theresa: 32 Years Old, No Years of Service, Starting Salary of \$35,000, Salary Growth of 4%, Benefits Start at Age 62, Moderate Portfolio





Salary Growth Rate

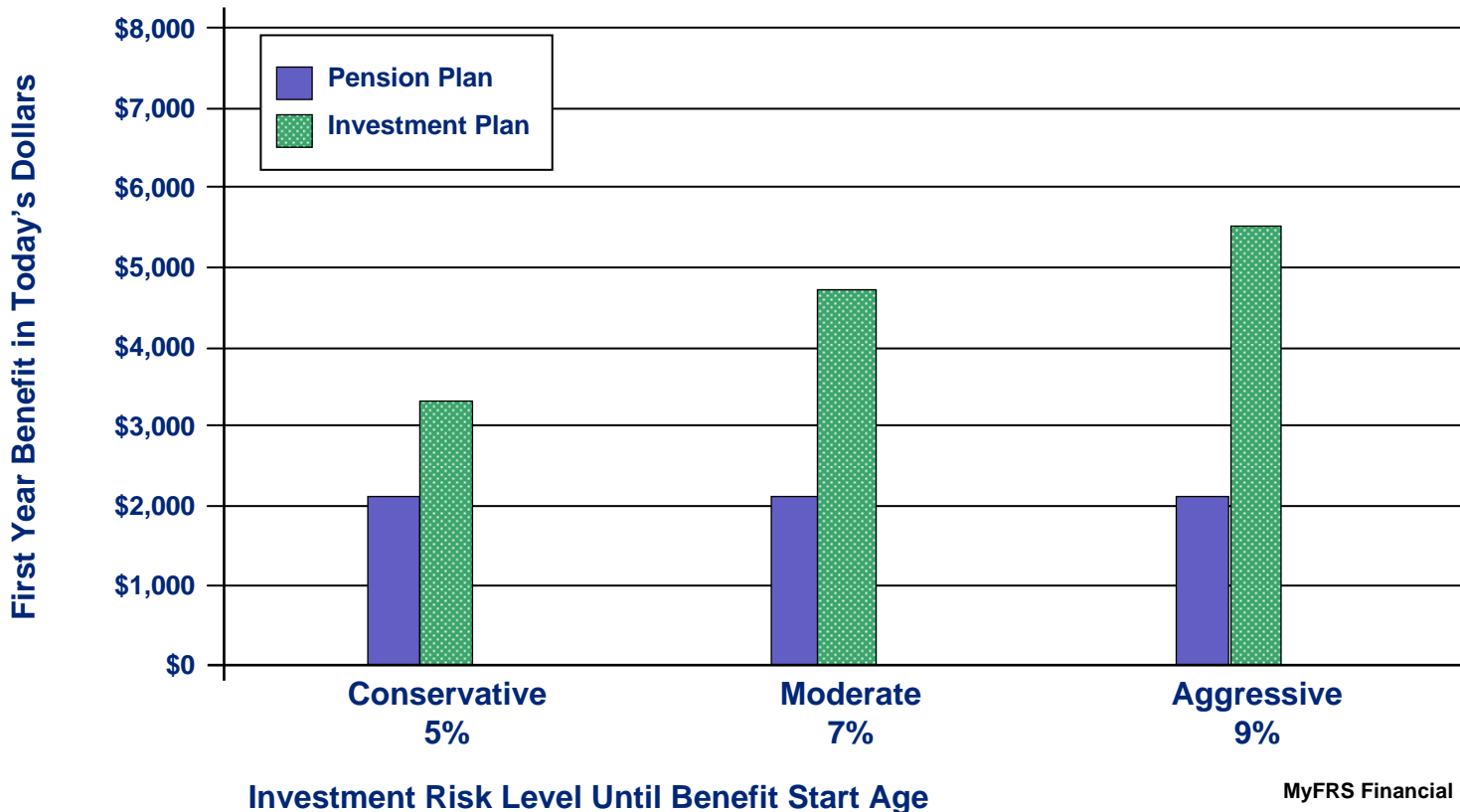
Theresa: 32 Years Old, No Years of Service, Terminates in 8 Years, Starting Salary of \$35,000, Benefits Start at Age 62, Moderate Portfolio





How Much Investment Risk You Take

**Theresa: 32 Years Old, No Year of Service, Terminates in 8 Years,
Starting Salary of \$35,000, Salary Growth of 4%, Benefits Start at Age 62**





Personalized Benefit Comparison Statement

- Included in FRS New Employee Enrollment Kit
- Compares projected benefits under both retirement plans
- Projection is based on only one set of assumptions
- Just a starting point
- To adjust assumptions and create personalized scenarios, use MyFRS CHOICE SERVICE





MyFRS Choice Service

- Begin the process with your personalized Benefit Comparison Statement showing future retirement benefits under the two plans
- Model which FRS Retirement Plan could provide the greater benefit at retirement
- Explore “what-if” scenarios
- Access through two channels
 - Call MyFRS Financial Guidance Line for assistance; or
 - Go directly to www.MyFRS.com





What Important Factors Will Affect Your Comfort Level?

**Portability and
Accessibility
Upon Leaving an
FRS Employer**

**Investment Control/
Responsibility**

Life Expectancy

Death Benefits

**Financial
Discipline**



MyFRS Financial Guidance Line: 1-866-446-9377
MyFRS.com



Portability and Accessibility Upon Leaving an FRS Employer

- Do you want to take the benefit with you to another employer outside the FRS?
- Do you want to control how and when you receive the money?
- Do you want to invest your money elsewhere after you retire?





Investment Control and Responsibility

- Do you feel comfortable investing money? and
- Do you have the time? or
- Do you feel comfortable receiving objective investment assistance?
- There is a lot of support available
- No matter which plan you choose, you need to invest to have enough at retirement





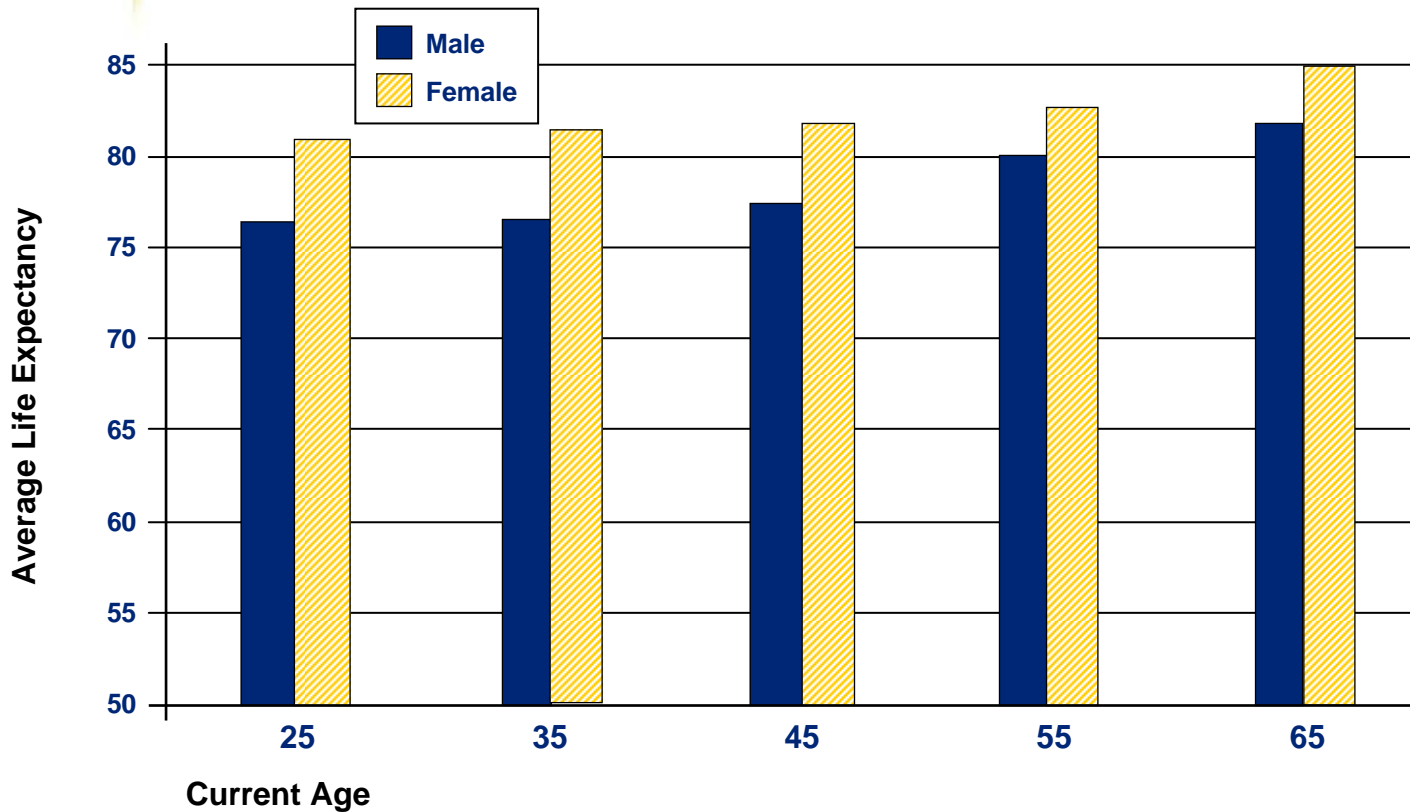
Financial Discipline

- Distributions, including lump sums, from retirement plans are taxed when received
 - **May be penalties for early distributions**
- Can defer tax if you roll over your plan into an eligible retirement plan
 - **Direct rollover avoids tax withholding**
- There are exceptions ... call the MyFRS Financial Guidance Line





Life Expectancy



Remember: You may live longer or die earlier.

Source: U.S. Department of Health and Human Services, National Vital Statistics Reports, Vol. 55, dated August 21, 2007



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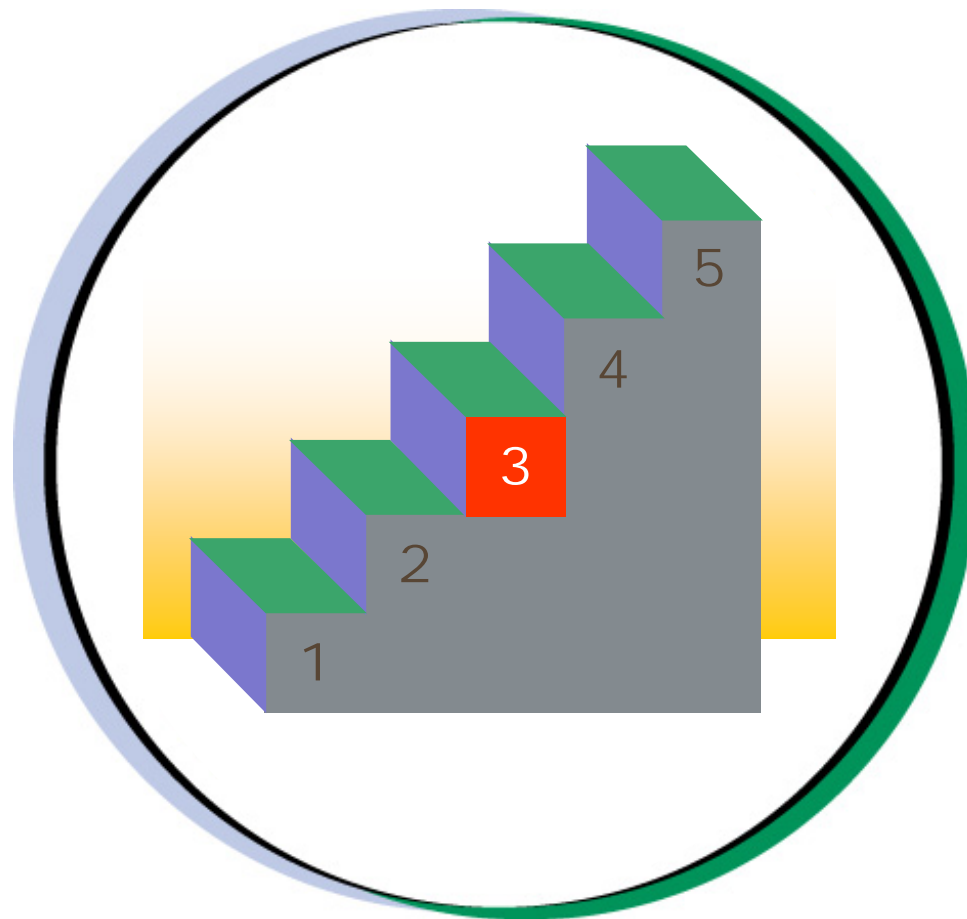
Death Benefits

- If you die before leaving an FRS employer, which plan pays more to your survivors?
- Which plan gives you greater flexibility in choosing your beneficiaries?
- Which plan gives your beneficiaries more flexibility?





Using Your Resources





What Resources Are Available to Help You Make Your Choice?

- Retirement Choice Workshop

You Are Here!

- Retirement Choice Print Materials
- Personalized Benefit Comparison Statement
- Internet-based CHOICE SERVICE
- MyFRS Financial Guidance Line





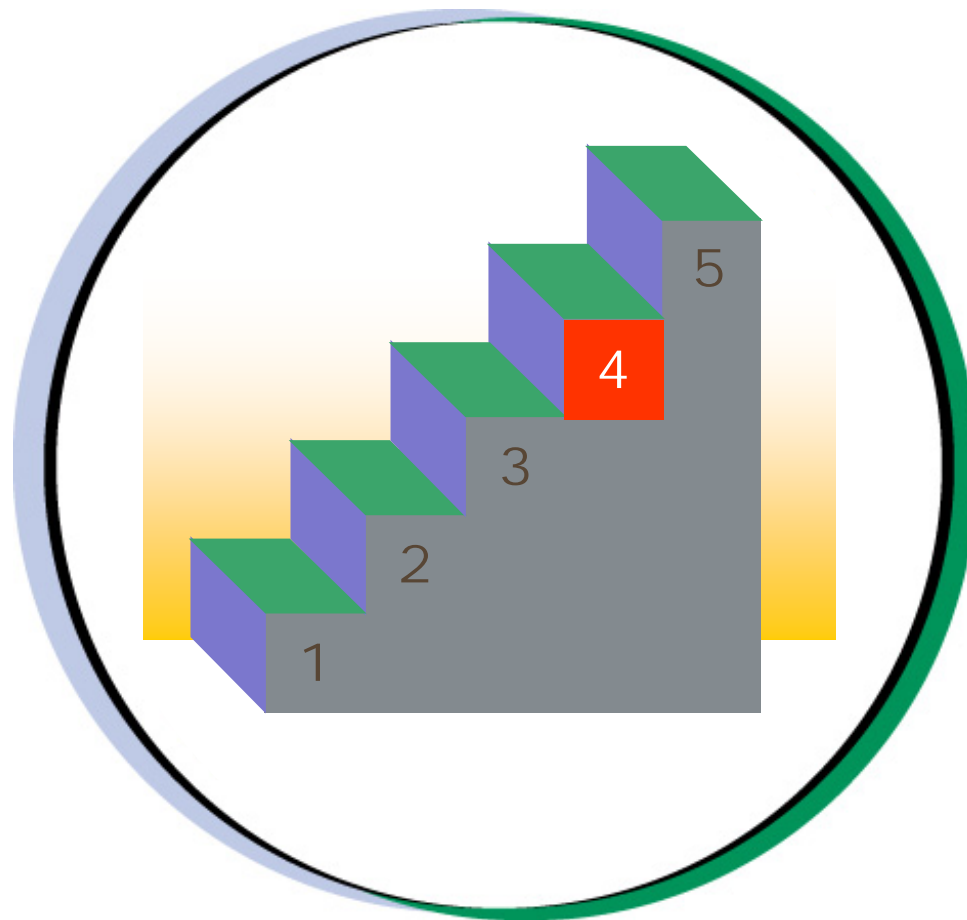
MyFRS Financial Guidance Line

- Impartial and balanced guidance on plan choice
- Do not sell products or services
- Confidential
- Help with the CHOICE SERVICE
- Toll-free number 1-866-446-9377
- Available 9 a.m. to 8 p.m. Eastern time (8 a.m. to 7 p.m. Central time), M – F, except holidays
- One-on-one counseling provided by experienced Ernst & Young financial planners





Making Your Choice





Retirement Choice Process

- On your date of hire you are automatically enrolled in the FRS Pension Plan
- If you want to transfer to the FRS Investment Plan, you must file your election **before the end of the fifth month following your month of hire** by submitting your EZ Enrollment Form
 - In addition to receiving your Enrollment Kit, you will receive 2 reminder letters.
- The EZ Enrollment Form is available from your Human Resource office or online at **MyFRS.com**





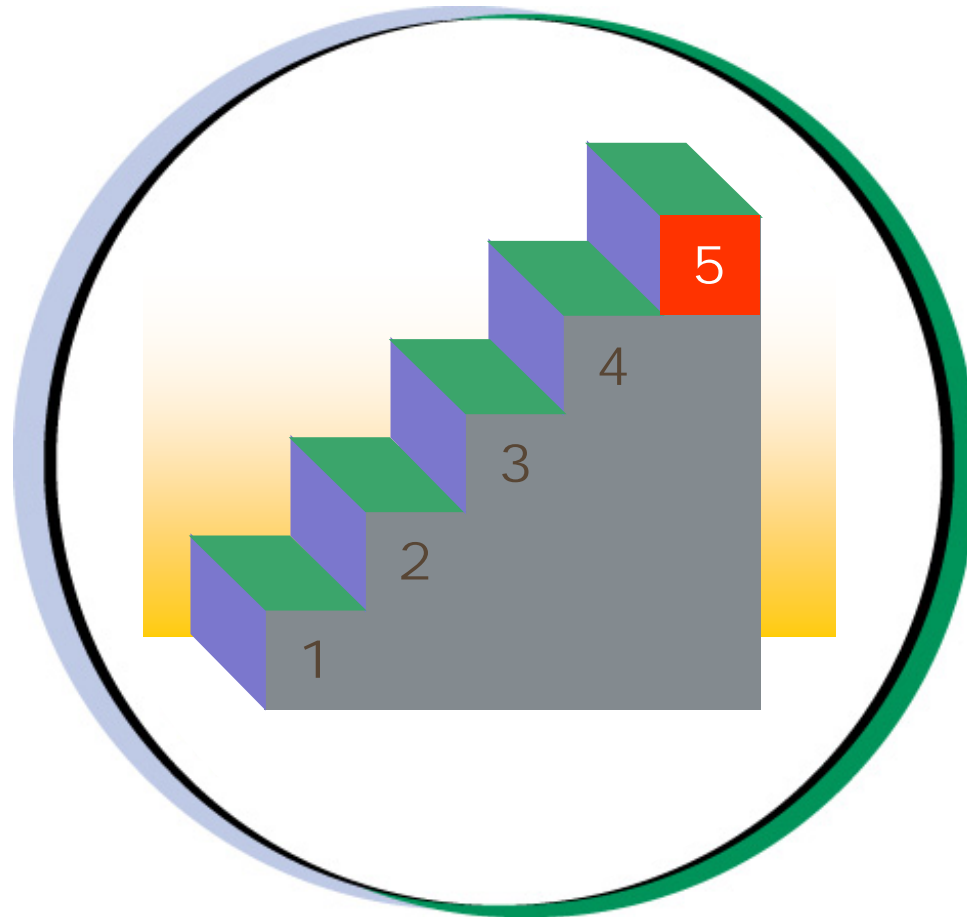
Retirement Choice Process (Continued)

- If you are a Regular or Special Risk Class employee, you can make your choice by paper, online or by calling the MyFRS Financial Guidance Line and having them file your choice for you.
- The FRS Select Moderate Balanced Fund is the default fund in the FRS Investment Plan
- Ability to switch your choice one time before you retire from or leave an FRS employer





Financial Planning After Your Choice



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Manage Your Future



Financial Guidance Line
Financial Education Workshops
Pre-retirement Workshops
ADVISOR[®] SERVICE
CHOICE SERVICE



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MyFRS.com



How Can the ADVISOR SERVICE Help Me?



MyFRS.com financial planning services,
Advisor Service powered by **Financial Engines**

Which mutual funds should I put my money in?

How do I know how much money to invest?



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MyFRS.com



How Can the Financial Guidance Line Help Me?



Toll-free MyFRS Financial Guidance Line,
staffed by **Ernst & Young** financial planners

Should I refinance my mortgage?

I know I need to pay off my credit card debt, how do I do it?



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Action Plan for Making Your Choice

- Review your FRS New Employee Enrollment Kit
- Call the MyFRS Financial Guidance Line to ask questions
- Use the MyFRS Web site, MyFRS.com
- Get help with the CHOICE SERVICE, if you'd like
- Make an informed, personal choice
- Use available Services for investment guidance and retirement planning





Questions and Answers



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